1999 ANNUAL REPORT

SASKATCHEWAN GOVERNMENT GROWTH FUND III LTD.

SGGF III

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

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Nexus Holdings Ltd.

Big Sky Farms Inc.

100-05089/

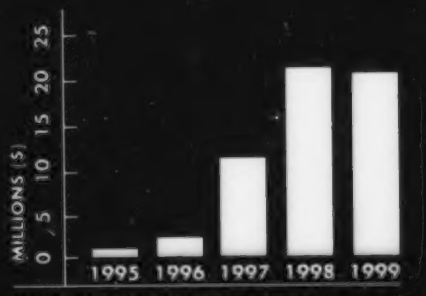
FUND PROFILE

Saskatchewan Government Growth Fund III Ltd. ("SGGF III") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada) as amended and was formed as a vehicle for foreign investors to invest in businesses operating in Saskatchewan. It was also formed to facilitate the Investors' qualification as Canadian permanent residents under the Immigrant Investor Program.

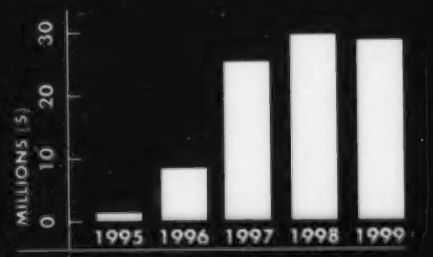
FINANCIAL HIGHLIGHTS

The accumulated deficit in SGGF III now stands at $530,000. This is entirely related to accumulated provisions for unrealized losses on investments. To date SGGF III has not experienced any realized investment losses. Since there is no immediate need to sell the investments, SGGF III intends to hold them until their prices recover.

- During its marketing period that began in 1994, SGGF III raised $29.5 million from 118 investors.
- All investors have been issued their notes.
- SGGF III is beginning its divestment stage in anticipation of the investor repayments that are scheduled to begin in late 2000.
- Over $24 million of investments have been made in eligible businesses.



INVESTMENTS OUTSTANDING



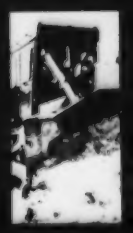
OBLIGATIONS TO INVESTORS

Boxtor Inc.

Dutch Industries Ltd.

Ronis North Digital Technologies Inc.

FSC Alsosk Inc.



TriNexus Holdings Ltd.

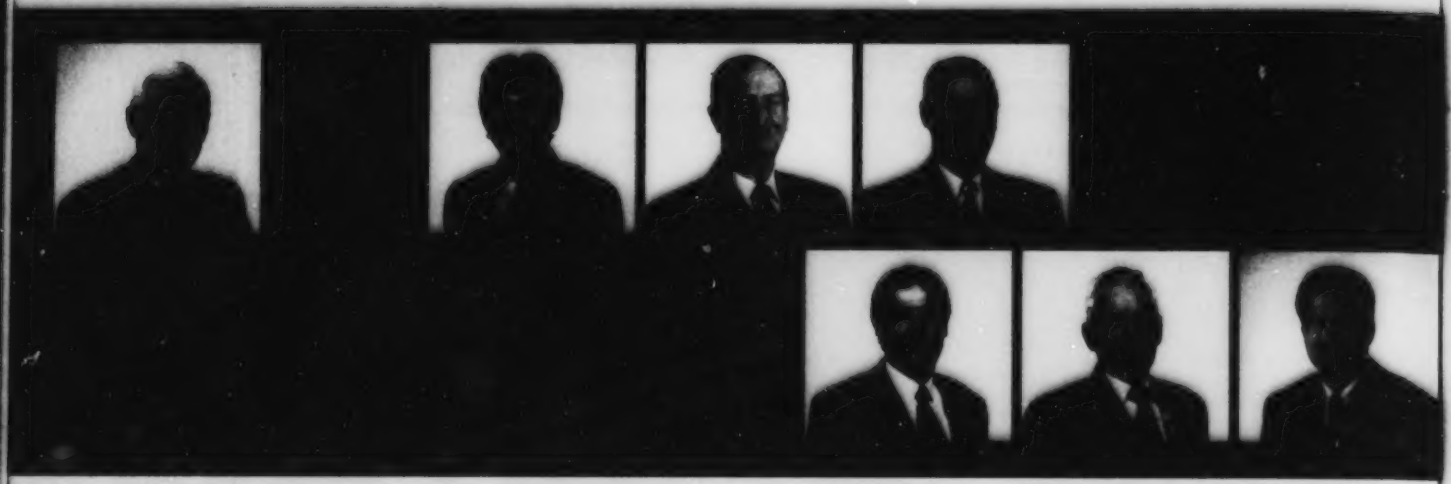
BOARD OF DIRECTORS AND OFFICERS

Gary K. Benson
President and Director

Joanne M. Forer
Chair

Gerald C. Edwards
Director

John G. Johns
Director



Gordon G. Mertler
Director

Alphonse L. Pasloske
Director

Keith A. Rissling
Director

Big Sky Farms Inc.

Bester Inc.

MESSAGE TO INVESTORS

As a venture capital fund with a defined life cycle, Saskatchewan Government Growth Fund III Ltd. (SGGF III) is at a point where it is neither investing nor divesting. 1999 was therefore a relatively uneventful year.

Several of our investee companies are encountering financial difficulties stemming from the continued depression in commodity prices, particularly those associated with the agricultural sector. Since there is no need to liquidate any investments until 2001, to meet redemption obligations, we are hopeful prices will improve and so will the prospects for profitable divestment.

Our focus for 2000 will be on working with those investee companies where we can add value in helping them achieve their business plans. These companies will be better positioned to repay SGGF III which, in turn, will enable SGGF III to meet its redemption obligations as they come due. The first investors are eligible for redemption in December 2000 and the bulk of them will become eligible during 2001.

In conducting its business, the Board of Directors held nine meetings in person and three by way of teleconference. We thank retiring board member Gerry Liski for his many contributions and we welcome new members, Keith Rissling and Gary Benson. We want to thank the other members of the board, management and staff, and our outside investment managers for their dedication and effort over the past year.

Joanne M. Forer
Chair

Gary K. Benson
President

The following are company profiles of investments held during 1999, including the approved investment level and a brief description of each company's operations.

INVESTMENT PROFILES

Big Sky Farms Inc.
$3,750,000 Loans and common shares

Big Sky Farms operates three 2,400 sow, farrow to finish hog operations in Saskatchewan. These operations are among the largest hog production facilities in the province. The company is currently expanding to other areas of the province.

Biostar Inc.
$1,155,022 Common shares and loan

Biostar is a federally incorporated, Saskatoon-based, biotechnology company using advanced technologies to develop and produce high value-added, bio-engineered vaccines. Although its origins were in the animal health industry, Biostar's technology is now also leading to human health applications. Biostar is the first company in the world to successfully manufacture and sell bio-engineered vaccines for cattle.

Dutch Industries Ltd.
$1,000,000 Loan

Dutch Industries is a Regina based manufacturing, repair, fabrication and steel supply company. They are a pioneer in the area of zero depth tillage technology for the North American agricultural industry. Dutch is also a leader in the development and commercial use of windmill technology for agricultural, municipal and utility applications.

Big Sky Farms Inc.

Big Sky Farms Inc. Biostar Inc.

BelAir Energy Corp.
(formerly Granger Energy Corp.)
$500,000 Common shares

BelAir Energy Corporation is a publicly traded (Canadian Venture Exchange) company headquartered in Calgary, Alberta. The company is engaged in the business of oil and gas acquisition, exploration and development of natural gas and crude oil producing properties in Alberta and Saskatchewan.

Millstreet Development Corp.
$500,000 Common shares

Millstreet Development Corp. is headquartered in Regina, Saskatchewan, with operations in British Columbia, Alberta and Manitoba. The company is a marketer, distributor and service provider of specialized equipment for the application and storage of fertilizers and chemicals. It also delivers industrial services including maintenance, repair and fabrication services for heavy and resource extraction industries. The company's shares trade on the Canadian Venture Exchange.

PEL Industries Inc.
$1,000,000 Loan

PEL Industries is located in Swift Current, Saskatchewan. The company manufactures and sells agricultural related products that assist in the handling and movement of grain. These products include grain vacs, grain drops, aeration fans, air seed blowers, chaff spreaders and flexible harrow drawbars.

Points North Digital Technologies Inc.
$815,415 Common shares and loan

Points North Digital, located in Saskatoon, Saskatchewan, is a travel technologies company involved in travel information systems development. The company's shares trade on the Canadian Venture Exchange.

Points North Leasing Inc.
$2,188,268 Loans

The company, located at Points North Landing, Saskatchewan, owns aircraft, buildings, equipment and vehicles that are leased to a freight forwarding business serving Northern Saskatchewan.

PSC Alsask Inc.
$1,425,000 Loans and common shares

PSC Alsask Inc. is located at Alsask, Saskatchewan. The company manufactures potassium sulphate, a specialty fertilizer used in the care of chloride sensitive plants such as citrus trees, tobacco, and golf course greens.

Techmatic Control Solutions Ltd.
$701,100 Loans

Techmatic Control Solutions manufactures fully automated commercial grain dryers with instrumentation providing complete details on moisture, temperature, gas consumption and ambient weather conditions. The company is located in Saskatoon, Saskatchewan.

TriNexus Holdings Ltd.
(formerly TriNexus Technologies Inc.)
$1,125,000 Common shares

TriNexus is a Saskatoon based company that specializes in the design, manufacture and sale of products which enhance the voice and data services being provided by telecommunications companies throughout the world. SGGF converte its debt position into common shares during the year. The company's shares trade on the Canadi Dealing Network.

617275 Saskatchewan Ltd.
$10,747,500 Loans

The company, located in Regina, Saskatchewan, purchases equipment and vehicles for lease to Saskatchewan Crown corporations.

Dutch Industries Ltd.

Points North Digital Technologies Inc.

PSC Alsask Inc.

TriNexus Holdings Ltd.

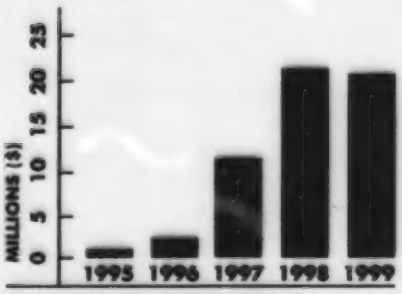
MANAGEMENT DISCUSSION AND ANALYSIS

SGGF III ended the year with an accumulated deficit of $530,000, due entirely to accumulated provisions for unrealized losses. The majority of these provisions relate to publicly traded investments. Given that there is no immediate need to sell these investments and SGGF believes the companies to be in good financial condition, SGGF III intends to hold them until their prices recover.

Since the fund became fully invested in late 1998, the primary focus of activity has been on monitoring the investment portfolio and providing small follow-on investments when required. These follow-ons are used to provide investees with additional funds as their businesses mature.

Investment Activities

SGGF III's Board of Directors approved a total of $840,000 of investments during 1999. All were follow-on investments in companies already in the portfolio. In 1998, a total of $10.1 million was approved for investment in four Saskatchewan businesses and two follow-ons.

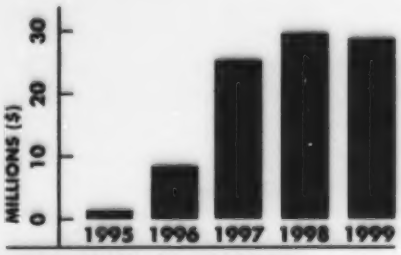


INVESTMENTS OUTSTANDING

A total of $1.2 million, including 1999 approvals and funds committed in prior years, was invested in eligible businesses during the year. This is down significantly from 1998 when a total of $11.2 million was invested. The total value of the portfolio is now over $20.6 million with 66% invested as debt and 34% as equity.

In 1999, $445,000 ($672,000 in 1998) was taken as a provision for future investment losses. This loss provision adjusts impaired investments to their estimated net realizable value and publicly traded shares to the lower of their cost and market value.

Revenue from investments was up significantly over 1998 because of the increased level of investment throughout the year. A total of $2.6 million of revenue was earned during the year compared to $1.8 million in 1998.



OBLIGATIONS TO INVESTORS

Investor Activities

The only significant investor activity that took place during the year was four refunds due to visa refusals and the issuance of one additional Note to an investor who subscribed in 1998.

Total subscriptions to December 31, 1999 were $28.9 million, with 115 investors, totalling $28.7 million of capital, having been issued their Notes. The balance of investors' funds is recorded as subscription deposits pending Note issuance as described in the Confidential Offering Memorandum. It is anticipated the remaining depositors in SGGF III will contribute their full subscription amounts in 2000 and thus provide an additional $2.3 million of investment capital to the fund.

In keeping with the requirements of the Offering Memorandum for SGGF III, all of the 115 investors with Notes outstanding at December 31, 1999 were paid their 2% Note interest for the year.

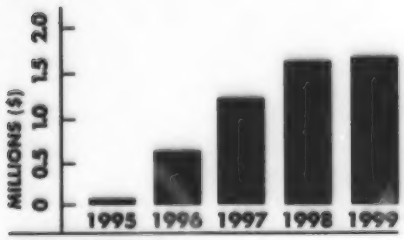
The first Note repayments are scheduled for December 2000 when 5 Notes mature. Beyond 2000, there are 22 Notes that mature in 2001 followed by 65 Notes in 2002, 22 Notes in 2003 and 1 Note in 2004.

Point North Digital Technologies Inc. PSC Akutuk Inc.

Operating Activities

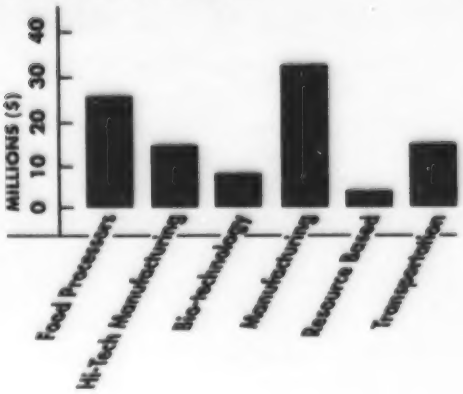
Administration costs represent direct charges for the ongoing administration of the fund. As a percentage of total assets managed, these costs amounted to 1.15% in 1999 compared to 1.22% in 1998.

Included in administration costs is a $39,000 provision (1998 – $22,000) for future performance fees payable to our investment advisors under the terms of their respective investment services agreements. These future fees are payable to the advisors upon liquidation of their portfolio under management and upon the achievement of certain performance targets.



TOTAL REVENUE

DISBURSED BY INDUSTRY



Year 2000 Issue

During the year, management conducted a detailed review of its information systems and undertook to make the modifications necessary to ensure its systems were year 2000 ready. No problems were experienced during the rollover to the year 2000. However, management is not able to determine if all entities that it does business with are year 2000 ready and any problems that this may cause.

TriNexus Holdings Ltd.
Big Sky Farms Inc.
Biostar Inc.
Dutch Industries Ltd.
Points North Digital Technologies Inc.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Saskatchewan Government Growth Fund III Ltd. have been prepared by management in accordance with generally accepted accounting principles, and necessarily include some amounts based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

Deloitte & Touche, the corporation's independent auditors, have examined the consolidated financial statements of the corporation. The scope of their examination and their opinion on whether these financial statements present fairly the corporation's financial position and operating results are given in the Auditors' Report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all financial information is relevant, reliable and accurate and that all transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and ultimately responsible for reviewing and approving these consolidated financial statements.

On behalf of management,

Gary K. Benson
President

Mike Merth, CA, CMA
Controller

PSC Akrosk Inc.

TriNexus Holdings Ltd.

AUDITORS' REPORT

To the Shareholders and Investors of Saskatchewan Government Growth Fund III Ltd.:

We have audited the Consolidated Statement of Financial Position of Saskatchewan Government Growth Fund III Ltd. as at December 31, 1999, and the Consolidated Statement of Operations and Deficit and Consolidated Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
January 31, 2000

FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund III Ltd.

(Incorporated under The Business Corporations Act of Saskatchewan)
Consolidated Statement of Financial Position
As at December 31

Assets		
Cash and cash equivalents	$ 3,890,377	$ 2,971,837
Short term investments (Note 3)	4,000,000	4,000,000
Accounts receivable and accrued income	387,861	538,046
Cash advance	-	49,716
Investments (Note 4)	11,790,687	11,952,466
Equipment on operating leases (Note 5)	7,661,087	8,743,501
Deferred costs (Note 6)	970,293	1,485,760
	$28,700,305	**$ 29,741,326**
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities (Note 7)	$ 105,057	$ 110,662
Commissions payable	110,250	165,250
Deferred revenue	30,233	30,233
Subscription deposits (Note 8)	232,510	292,500
Obligations to investors (Note 9)	28,750,000	29,500,000
	29,228,050	**30,098,645**
Shareholders' Equity		
Share capital (Note 10)	2,005	2,005
Deficit	(529,750)	(359,324)
	(527,745)	**(357,319)**
	$ 28,700,305	**$ 29,741,326**

Commitments (Note 15)

See accompanying notes to financial statements

On behalf of the Board:

Director

Director

TriNexus Holdings Ltd.

Big Sky Farms Inc.

Saskatchewan Government Growth Fund III Ltd.

Consolidated Statement of Operations and Deficit
For the Year Ended December 31

Revenues		
Interest from cash, cash equivalents and short term investments	$ 425,368	$ 493,705
Income from investments	746,770	603,056
Other income	1,935,933	1,350,689
	3,108,071	2,447,450
Expenses		
Administration (Note 12)	379,866	412,969
Interest on subscription deposits	-	30,401
Interest on obligations to investors	582,370	572,479
Amortization of equipment on operating leases	1,408,309	754,665
Amortization of deferred costs	462,968	449,967
	2,833,513	2,220,481
Income before investment losses	274,558	226,969
Provision for investment losses	275,000	208,083
Allowance for unrealized losses	169,984	464,399
Net loss	(170,426)	(445,513)
(Deficit) retained earnings, beginning of year	(359,324)	86,189
Deficit, end of year	$ (529,750)	$ (359,324)

See accompanying notes to financial statements

Saskatchewan Government Growth Fund III Ltd.

Consolidated Statement of Cash Flows
For the Year Ended December 31

Cash flows from operating activities		
Net loss	$ (170,426)	$ (445,513)
Adjustments:		
Amortization of equipment on operating leases	1,408,309	754,665
Amortization of deferred costs	462,968	449,967
Gain on disposal of equipment on operating lease	(1,368)	-
Provision for investment losses	275,000	208,083
Allowance for unrealized losses	169,984	464,399
Net change in non-cash balances related to operations (Note 13)	142,080	(715,270)
Cash flows from operating activities	2,286,547	716,331
Cash flows from investing activities		
Disbursements on investments	(1,089,383)	(5,105,704)
Repayments of investments	806,178	511,015
Purchase of equipment on operating leases	(342,628)	(5,917,477)
Proceeds on disposal of equipment on operating leases	18,100	-
Cash flows from investing activities	(607,733)	(10,512,166)
Cash flows from financing activities		
Repayment of cash advance	49,716	55,000
(Repayment of) proceeds from note subscriptions	(809,990)	110,060
Cash flows from financing activities	(760,274)	165,060
Net increase (decrease) in cash and cash equivalents	918,540	(9,630,775)
Cash and cash equivalents at beginning of year	2,971,837	12,602,612
Cash and cash equivalents at end of year	$ 3,890,377	$ 2,971,837

See accompanying notes to financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Status of the corporation

Saskatchewan Government Growth Fund III Ltd. ("SGGF III") was incorporated in October 1994 under The Business Corporations Act of Saskatchewan and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program. Under this program, SGGF III was established to raise $35,000,000 through a note offering. Each note is a 2% unsecured, subordinated debt instrument with a cost of $250,000, redeemable in five years provided that 70% of the proceeds are maintained in eligible investments. SGGF III commenced commercial operations in 1995. The marketing period for SGGF III ended July 31, 1997.

Under the terms of the Confidential Offering Memorandum ("Memorandum"), SGGF III is required to invest in Saskatchewan based businesses which have assets, including associated companies, of less than $35 million.

As stated in the Memorandum, the Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of SGGF III or of a return on an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the debt instruments.

2. Significant accounting policies

Consolidation

The consolidated financial statements include the accounts of SGGF III and those of 617275 Saskatchewan Ltd. ("617275") on a proportionate basis. 617275 is an entity that is jointly controlled by SGGF III and other companies. 617275 was created to be an eligible business under the guidelines of the Immigrant Investor Program. Loans from SGGF III to 617275 are used to purchase infrastructure-related assets that are leased to Saskatchewan Crown corporations under various operating leases. Principal and interest payments due under the loans to 617275 match the lease payments due under the operating leases with Saskatchewan Crown corporations.

Investments

Investments include debt and equity investments in private companies. Investments are carried at cost. Income from equity investments is recognized when received and income from debt investments is recognized as earned.

Investments in shares having quoted market values, and which are traded on a recognized exchange, are recorded at the lower of cost and average closing market price for the last 20 days of the year. Unrealized losses in the value of investments in publicly traded shares are recorded in the Consolidated Statement of Operations and Deficit, in the allowance for unrealized losses.

Investments are reviewed on a regular basis. Where impairment is identified, the exposure is compared to the estimated net realizable value of the security and, if appropriate, a provision established. An investment is considered impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal and income. Income is not accrued for accounting purposes on impaired investments.

There is a clearly demonstrated intention to dispose of the investments in due course. Accordingly, investee companies over which SGGF III has significant influence are not consolidated.

Equipment on operating leases

Equipment on operating leases is recorded at cost. When this equipment is disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Deficit.

Equipment on operating leases is amortized over its estimated useful life on a basis that matches the principal repayments under the related loans.

Deferred costs

Deferred costs include consulting, legal, administrative, accounting, general and printing costs associated with SGGF III's offering. Commissions paid or payable on subscriptions received have also been deferred. Deferred costs, including commissions, are amortized over five years from date of note issuance.

Commissions payable

According to the terms of a marketing agreement entered into by SGGF III, a commission is legally payable to the independent marketing agent selling the note upon the issuance of the investor's immigrant visa.

Deferred revenue

When past due interest is withheld from or immediately paid by an investee as part of a follow-on investment or protective disbursement, and the investee is classified as impaired, the interest is deferred and recognized as investment income when the investee is able to demonstrate the financial ability to pay its interest obligations.

Obligations to investors

Obligations to investors represent the notes issued to investors of SGGF III. Interest on notes is accrued at an annual rate of two percent (2%) from the date of note issuance. Interest is paid annually on December 31 of each year and at maturity.

3. Short term investments

Included in short term investments:

	Cost	Maturity Date	Rate	Market Value (at Dec 31) 1999	1998
Province of Saskatchewan Bonds	$ 4,000,000	Oct 10, 2001	6.125%	$ 4,000,000	$ 4,000,000

4. Investments

	1999	1998
Debt	$ 5,895,579	$ 6,947,962
Equity	7,120,734	5,785,146
Provision for investment losses	(483,083)	(208,083)
Allowance for unrealized losses	(742,543)	(572,559)
	$ 11,790,687	$ 11,952,466

Included in investments are $2,427,712 (1998 – $1,292,978) of impaired investments, net of accumulated provision for losses of $483,083 (1998 – $208,083), upon which income is not accrued.

Equity investments include publicly traded shares at a cost of $2,812,650 (1998 – $1,724,950), with an aggregate market value of $9,819,789 (1998 – $1,261,404). These are recorded at the lower of cost and average closing market price for the last 20 business days of the year, on an individual basis.

During the year, investments decreased as follows:

	1999	1998
Balance, beginning of year	$ 11,952,466	$ 8,030,259
New investments	1,089,383	5,105,704
Repayments	(806,178)	(511,015)
Provision for investment losses	(275,000)	(208,083)
Allowance for unrealized losses	(169,984)	(464,399)
Balance, end of year	$ 11,790,687	$ 11,952,466

5. Equipment on operating leases

	1999	1998
Equipment on operating leases	$ 10,052,258	$ 9,733,163
Accumulated amortization	(2,391,171)	(989,662)
	$ 7,661,087	$ 8,743,501

Operating lease revenues included in other income amounted to $1,863,894 (1998 – $1,230,853).

Amortization charges recorded in the Consolidated Statement of Operations and Deficit, with respect to equipment on operating leases, amounted to $1,408,309 (1998 – $754,665)

6. Deferred costs

Deferred costs have been recorded net of accumulated amortization of $1,253,758 (1998 – $790,791).

7. Accounts payable and accrued liabilities

Included in accrued liabilities is a $61,224 (1998 – $22,278) provision for future fees payable to various investment advisors under the terms of their respective investment services agreements with SGGF III. These amounts are payable to the investment advisors upon liquidation of their portfolio under management and upon achievement of certain performance targets.

8. Subscription deposits

Subscription deposits are reclassified to obligations to investors upon note issuance.

9. Obligations to investors

Notes – 2% unsecured subordinated notes.

The obligation at December 31 is:

	1999	1998
115 notes (1998 – 118 notes)	$ 28,750,000	$ 29,500,000

The following is the estimated redemption schedule for note repayments under the terms of the Confidential Offering Memorandum for the year ended December 31:

2000	$ 1,250,000
2001	5,500,000
2002	16,250,000
2003	5,500,000
2004	250,000
	$ 28,750,000

10. Share capital

The authorized common share capital of SGGF III at December 31 is:

Class A common shares – an unlimited number of voting common shares. Holders of the Class A common shares are not entitled to receive dividends.

Class B common shares – an unlimited number of voting common shares. Holders of the Class B common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	1999	1998
2,000 (1998 – 2,000) Class A common shares	$ 2,000	$ 2,000

11. Financial Instruments

SCGF III's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk. These risk factors may impact upon SCGF III's ability to repay its obligations to investors at maturity.

Market Risk

Market risk faced by SCGF III is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the business in which SCGF III invests. Some of the companies in which SCGF III invests are dependent upon a single product or industry. SCGF III manages these risks through careful due diligence prior to committing funds to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit Risk

Credit risk arises from the potential that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SCGF III restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such investees to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SCGF III conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its investees on an on-going basis. In addition, some investees operate in and export to other provinces or international markets thereby mitigating this risk.

Interest Rate Risk

Interest rate risk reflects the risk that SCGF III's earnings will decline due to fluctuations in interest rates. SCGF III manages this risk through careful monitoring and matching the duration of its short-term deposits and investments with its obligations to investors. By matching the duration of its assets and liabilities, changes in the fair value of short-term deposits and investments will be offset by changes in the fair value of the obligations to investors.

Liquidity Risk

Liquidity risk is the risk that SCGF III will encounter difficulty in liquidating its investments at an amount close to fair value at the time it is required to redeem its obligations to investors. Due to the nature of some of SCGF III's investments, the timing of cash flows from its investments may not exactly match with the payments owing under SCGF III's obligations to investors. SCGF III carefully monitors the duration of its investments. However, these timing differences may require SCGF III to reduce or delay the payments owing on its obligations to investors at maturity.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Fair Value – Investments

There is no active secondary market for many of the investments in which SCGF III invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical. The factors that impact the fair value are described above.

Fair Value – Obligations to Investors

Obligations to investors represent the capital invested by immigrant investors in SCGF III. In addition to earning a nominal return on their capital, their investment in SCGF III helps satisfy a portion of their visa requirements under Canada's Immigrant Investor Program. Each investment in SCGF III is irrevocable, except in the case of a visa refusal, for a period of five years. Therefore, no secondary market for the obligations exists. Due to the unique features associated with obligations to investors, the calculation of a fair value with appropriate reliability is impractical. The risk factors that impact the fair value of investments, as described above, will also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value of investments at that time.

12. Administration

Under the terms of a ten year Management Agreement, expiring in 2004, between SCGF III and Saskatchewan Government Growth Fund Management Corporation ("SCGF Management Corporation"), SCGF Management Corporation administers the assets of SCGF III with the assistance of various investment advisors to perform due diligence, monitoring and liquidation of investments. SCGF Management Corporation does not guarantee the financial performance of SCGF III. All services provided to SCGF III are charged on a fee for service basis. The breakdown of costs is as follows:

	1999	1998
Investment advisors	$ 181,938	$ 146,778
Wages and salaries	101,780	159,823
General administration	64,054	74,989
Directors fees and expenses	6,961	15,098
Legal and professional	25,133	16,281
	$ 379,866	$ 412,969

Included in investment advisors is a $38,946 (1998 – $22,278) provision for future fees payable to various investment advisors under the terms of their respective investment services agreements with SCGF III. These amounts are payable to the investment advisors upon liquidation of their portfolio under management and upon achievement of certain performance targets.

13. Net change in non-cash balances related to operations

	1999	1998
Accounts receivable and accrued income	$ 150,185	$ (418,150)
Deferred costs	52,500	(21,251)
Accounts payable and accrued liabilities	(5,605)	59,785
Commissions payable	(55,000)	(336,250)
Deferred revenue	-	30,233
Accrued interest payable to investors	-	(29,637)
	$ 142,080	$ (715,270)

14. Income taxes

Greater than 90% of the issued shares of SCGF III are owned by a provincial Crown corporation. Therefore, SCGF III is income tax exempt.

15. Commitments

The total amount of investments approved but not yet disbursed is $460,463 (1998 – $818,587). As a condition of one of its investments, SGGF III has guaranteed $18,946 (1998 – $18,946) of a third party loan to a Saskatchewan business.

16. Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan government controlled departments, agencies and corporations with which SGGF III is related. Account balances resulting from these transactions are included in the Consolidated Statement of Financial Position and are settled on normal trade terms.

As stated in Note 12, SGGF III is under a ten year Management Agreement with SGGF Management Corporation. Total fees paid or payable to SGGF Management Corporation during the year amounted to $340,920 (1998 –$390,691).

A short-term deposit in the amount of $4,000,000 (1998 – $4,000,000) is invested in Government of Saskatchewan Bonds. As at December 31, 1999, the short-term deposit and accrued interest in the amount of $55,028 (1998 – $55,028) has been included in the Consolidated Statement of Financial Position.

Other transactions with related parties are disclosed separately in the financial statements and the notes thereto.

17. Year 2000 Issue

The Year 2000 Issue arises because many computer systems use two digits rather than four to identify a year. Date sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than that date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

HISTORICAL COMPARISON

Saskatchewan Government Growth Fund III Ltd.

Historical Comparison
(in thousands of dollars)

Financial Position

As at December 31

Assets					
Cash and cash equivalents	$ 4,278	20,053	16,603	6,972	7,890
Investments	1,000	2,318	11,611	20,696	19,452
Other assets	559	1,798	2,139	2,073	1,358
Total assets	$ 5,837	24,169	30,353	29,741	28,700
Liabilities & Equity					
Other liabilities	$ 392	687	553	305	247
Obligations to investors	5,454	23,458	29,712	29,793	28,983
Equity	(9)	24	88	(357)	(530)
Total liabilities & equity	$ 5,837	24,169	30,353	29,741	28,700

Operating Results

For the years ended December 31

Revenues					
Investment income	$ -	98	303	603	747
Interest from cash and cash equivalents	78	488	741	493	425
Other income	-	66	430	1,351	1,936
Total revenue	78	652	1,474	2,447	3,108
Expenses					
Administration	33	236	309	413	380
Financing	55	384	992	1,807	2,453
Total expenses	88	620	1,301	2,220	2,833
(Loss) Income before investment losses	(10)	32	173	227	275
Provision for losses on investments	-	-	108	672	445
Net (loss) income	$ (10)	32	65	(445)	(170)

CORPORATE DATA

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Businesswoman
Melfort, Saskatchewan

Gary K. Benson
President
Regina, Saskatchewan

Gerald C. Edwards
Retired Businessman
Regina, Saskatchewan

John G. Johns
Associate Professor
Regina, Saskatchewan

Gordon G. Mertler
Businessman
Regina, Saskatchewan

Alphonse L. Pasloske
Retired Businessman
Saskatoon, Saskatchewan

Keith A. Rissling
Businessman
Saskatoon, Saskatchewan

Officers

Joanne M. Forer, Chair
Gary K. Benson, President

Management and Staff
SGGF Management Corporation

Gary K. Benson, President and CEO
Rob Duguid, Vice President, Investments
Lyle Bolen, CA, Investment Manager
Mike Merth, CA, CMA, Controller
Janet Zakresky, Analyst
Karla Protz, Executive Assistant
Joyce Pakuliak, Accounting Administrator
Nancy Layman, Fund Administrator
Sally Nameth, Receptionist

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Chartered Accountants
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Regina, Saskatchewan S4P 4B3

Banker

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Transfer Agent

CIBC Mellon Company
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Regina, Saskatchewan S4P 0R7

Prism North Digital Technologies Inc. Dutch Industries Ltd.

PSC Absorb Inc.

TriNexus Holdings Ltd.

Big Sky Farms Inc.

Bcostar Inc.

Dutch Industries Ltd.

SASKATCHEWAN GOVERNMENT GROWTH FUND III LTD.